

## **I. ANTI-MONEY LAUNDERING POLICY STATEMENT**

### **The Company's Commitment to AML Compliance**

Heckman Financial & Insurance Services, Inc. and its associates are committed to ensuring full compliance by the Company with all applicable federal and state laws and regulations, Self-regulatory organization (e.g., NASD) rules and any other industry rulemaking authorities' rules regarding anti-money laundering ("AML"). Eric Heckman of Heckman Financial & Insurance Services, Inc. has vested program responsibility for AML.

Eric Heckman is responsible for ensuring that: (i) the company keeps its AML policy current and that each operating area implements and maintains procedures to detect and report possible money laundering and suspicious activity; and (ii) all required governmental and regulatory filings are completed accurately and submitted timely; and (iii) the Company fully complies with all applicable AML laws and regulations.

Eric Heckman has the responsibility and authority to ensure that AML practices and procedures are consistent with the AML policy and reasonably designed to satisfy the requirements of the policy and related regulatory requirements. In addition, Eric Heckman is the primary contact for the Company on AML compliance implementation and oversight, any questions about this policy may be directed to Eric Heckman at (408) 297-9800.

### **Who Is Covered By The AML Program?**

The Anti-Money Laundering Program of Heckman Financial & Insurance Services, Inc. (the "Program") is applicable to all aspects of the operations of the Company. The Program, as set forth in this Policy, is designed to address, among other things, the requirements of the Title III of the U.S.A Patriot Act ( the "Money Laundering Abatement Act"), including:

- the development of internal policies, procedures, and controls;
- the designation of a compliance officer;
- an ongoing employee training program;
- and independent audit function to test programs.

The Company continues to monitor regulatory and other developments in the anti-money laundering area, and is firmly committed to ensuring that all Company departments, affiliates, subsidiaries, agents, and employees are and remain in compliance with applicable law.

## What Is Money Laundering?

Money Laundering is the process by which a criminal conceals the existence, source or nature of illegally derived funds to make them appear legitimate. Money laundering typically occurs in three stages: placement, layering and integration. Insurance companies and other financial institution are at any point in the process susceptible to being used by criminals to carry out money laundering activities.

- **Placement** is the initial placement of illegal funds into the financial system, normally in the form of currency or cash equivalents (money orders, traveler's checks, and bank drafts.) Placement can occur when accepting a new account and the initial premium/deposit, subsequent payments and deposits, or third party receipts.
- **Layering** is the hiding or distancing of the illegal funds from their source by creating transactions or a series of complex transactions. Some ways layering can occur include processing multiple and frequent account transfers, ownership changes, or address changes.
- **Integration** is the ultimate disbursing of the "clean" proceeds back into society. At this point, the funds are likely to appear legitimate and are disbursed from a legitimate source.

Criminals often employ sophisticated methods of disguising the proceeds of their crimes, just as terrorists seek to funnel the proceeds of ostensibly legitimate businesses to fund and execute terrorist plots. Terrorists and other criminals are increasingly using the facilities of securities firms and insurance companies to conceal the source of their funds. The concept of money laundering can also include the activities of individuals and businesses seeking to conceal their earnings from the Internal Revenue Service and state and local taxing authorities.

## Anti-Money Laundering Regulations

The United States Government principally administers and enforces anti-money laundering laws through the U.S. Treasury Department. As described below, depending on the type of financial institution, one or more of the following apply:

- **Bank Secrecy Act (BSA)**- This federal law, and the regulation enacted pursuant to the BSA includes requirements to report currency transactions, maintain specific records including wire transfer documentation, report suspicious activities, and maintain and implement anti-money laundering compliance with certain required elements. The BSA and underlying regulations are enforced by the U.S. Treasury Departments Financial Crimes Enforcement Network (FinCEN)

office. FinCEN may work together with parallel state and industry bodies, such as the Securities and Exchange Commission (SEC), to govern and monitor compliance with the law and applicable regulations.

- ***Internal Revenue Code (IRC 60501)***- This section of the Internal Revenue Code has somewhat different reporting requirements from what is required under the BSA. The receipt of currency in an amount greater than \$10,000 in a single transaction, or in a series of related transactions, must be reported to the IRS on Form 8300.
- ***U.S.A Patriot Act***- This federal law amended the BSA so that the law now requires financial institutions to develop and implement written anti-money laundering programs that include internal policies, procedures, and controls; a designated AML compliance officer; provide an ongoing employee training program; and an independent audit of the program.
- ***OFAC***- The Treasury Department's Office of Foreign Assets Control (OFAC) enforces various statutes and regulations prohibiting trade and financial/ commercial transactions with certain countries, their governments or officials, specially designated nationals (SDNs), drug traffickers or terrorists. OFAC identifies these individuals and entities on its Specifically-Designated Nationals and Blocked Nations List, which is continuously updated. Since September 11, 2001, hundreds of new entries have been added.
- ***NASD Conduct Rule 3011***- NASD Conduct Rule 3011 establishes a separate requirement that NASD members firms, including NYLIFE Securities Inc., develop and implement written AML compliance. The programs monitored by the NASD essentially tracks the requirements of the Bank Secrecy Act, including the U.S.A Patriots Act provisions.

### **Consequences For Failure To Comply With AML Laws**

Failure to comply with anti-money laundering and/or OFAC laws and regulations may result in severe criminal and civil penalties against Heckman Financial & Ins. Services, Inc. and their respective employees and agents. Criminal and civil penalties can include imprisonment, substantial fines, loss of business licenses, and forfeiture of property involved. Employees and agents also may be subject to disciplinary action by the Company up to and including termination of employment for participating in such activities.

## **AML Compliance Procedures and Responsibilities**

The corporate procedures for the Anti-Money Laundering Program may be found in the “Heckman Financial & Insurance Services, Inc. Anti-Money Laundering Corporate Procedures Guide,” which is a supplement to this policy.

### **Ongoing Agent and Employee Training Program**

The Company has developed an ongoing training program for agents and employees on anti-money laundering issues. The Company’s Anti-Money Laundering Compliance Officer is responsible for the training program. The training program is designed to familiarize employees and agents with the following:

- how to identify red flags and possible signs of money laundering that could arise during the course of duties;
- what to do once the instance of potential money laundering is identified;
- what their roles are in the Company’s compliance efforts;
- how to perform their roles;
- the Company’s record retention policy;
- possibility of disciplinary action by the Company upon the discovery of knowing or intentional participation in money laundering; and
- threat of government disciplinary action, including civil and criminal penalties for non-compliance with applicable laws and regulations.

Training for agents and employees will be conducted no less than annually. The Company’s AML Compliance Officer may delegate responsibility for individual training activities in certain instances. In addition, the Company will properly document any delegation of responsibility for the training program.

## **II. ANTI-MONEY LAUNDERING GUIDELINES**

The anti-money laundering guidelines outlined below are applicable to the operations of Heckman Financial & Insurance Services, Inc..

### **Agents’ and Employees’ Obligations For AML Compliance**

Heckman Financial & Insurance Services, Inc. agents and employees have an obligation to avoid transactions with individuals or organizations (e.g., partnerships, trusts, corporations, joint ventures) that seek to use Company Services, Inc. and products to launder money or otherwise carry out illegal activities. Company personnel must be careful to avoid receiving the proceeds of, or unwittingly aiding in, transactions linked to criminal activities of any kind.

Specific AML compliance procedures are covered in the Corporate Procedures, which supplement this policy.

## **Suspicious Activity Monitoring and Reporting**

Some financial institutions are required by law to report “suspicious activity” at their institutions on “Suspicious Activity Report” forms (“SARs”). SARs are to be filed with FinCEN.

The Company will apply due diligence in an effort to make an informed decision about the suspicious nature of particular transactions and other activities in determining whether to file an SAR in a particular situation.

The Company will file SARs for any transaction conducted or attempted by, at or through the Company involving (separately or in the aggregate) funds or assets of \$ 5,000 or more for which the Company detects any known or suspect federal criminal violation involving the Company; or the Company knows, suspects, or has reason to suspect that the transaction:

- involves funds related to illegal activity;
- is designed to evade Bank Secrecy Act or other anti-money laundering rules or regulations;
- has no business or apparent lawful purpose and the Company knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction; or
- is the result of computer system intrusions.

Notwithstanding the \$5,000 threshold described above, the Company will file SAR and, when appropriate, notify law enforcement authorities of all transactions where there is a suspicion that the proceeds of criminals, terrorists or other corrupt activities may be involved.

The Company will in all cases keep SARs and any supporting documentation confidential. Heckman Financial & Ins. Services, Inc. will not inform anyone outside of law enforcement or regulatory agency or securities regulator about a SAR. The Corporate Compliance Department is responsible for filing and maintaining copies of all SARs and supporting documentation.

## **Cash Reporting**

A principal method used by the Federal government to detect money laundering is to require financial institutions and other businesses to report the receipt of currency or cash equivalents (such as cashier’s check, money orders, bank drafts, or traveler’s checks) Other laws require financial institutions to report certain situations involving the use of a combination of currency and/or cash equivalents, each of which is valued at \$10,000 or less, but which together total more than \$10,000. When there is a reportable event, the company will file IRS Form 8300 (“Cash Received in a Trade or Business”). Also, Company policy prohibits

customers and policyowners from using currency (U.S. or otherwise) to pay for securities transactions and procedures are in place to ensure that currency is not accepted as payment in such transactions.

## **Wire Transfers**

The Company does no wire transfers.

## **Recognizing and Preventing Structured Transactions**

Financial institutions, including insurance companies and broker-dealers, are required by law to report transactions, which are structured to avoid the various reporting requirements. Structuring includes the breaking down of a single sum or currency that exceeds \$10,000 into smaller amounts and engaging in multiple transactions, each below \$10,000. Active assistance in structuring or passive acceptance of transactions designated to circumvent reporting requirements is also against the law. Violation could lead to civil fines and criminal penalties for Heckman Financial & Ins. Services, Inc., the agent and employee.

The following are examples of policyowner activity which might suggest structured transactions involving currency and/or cash equivalents totaling over \$10,000 that must be reported:

- the policyowner makes four unscheduled premium payments via money order on a variable universal life policy, all of which are between \$3,000 and \$4,000;
- the policyowner applies for a policy, pays currency and subsequently asks for a refund under the “Free Look” period.

If a Heckman Financial & Ins. Services, Inc. agent or employee detects an attempt to structure transactions or suspects that transaction structuring is occurring, he/she should immediately bring it to the attention of the Company’s AML compliance officer.

## **Know Your Customer Rules**

The concept of ***Know Your Customer*** (KYC) is critical in both the securities and non-securities aspects of our business. As general rule, the Company gathers information about the clients. The information required under NASD Rules (applicable to broker-dealer activities) is the starting point for anti-money laundering customer identification procedures.

It is Company policy to:

- obtain the required customer information (name, address, tax identification number and date of birth) prior to opening new accounts;
- maintain records of the required customer information; and

- Check that a policyowner or customer does not appear on any list of known and suspected terrorists or terrorist organizations such as those persons and organizations listed on the OFAC Web Site under “Terrorists” or “Specially Designated Nationals and Blocked Persons” (SDN List), as well as the listed embargoed countries and regions (collectively, the OFAC List).

Because of the risk that the prospective policyowner or customer could be involved in criminal activity, the Company will consider, depending on the nature of the proposed transaction, not effecting a transaction prior to verifying information about the customer. In addition, if a potential or existing customer either refuses to provide the information requested by the Company, or it appears to have intentionally provided misleading information, Heckman Financial & Ins. Services, Inc. will not open an account and the AML Compliance Officer must be notified so that a determination can be made as to whether the circumstances should be voluntarily reported to FinCEN or OFAC.

### **Prohibition on U.S. Correspondent Accounts With Foreign Shell Banks**

Heckman Financial & Insurance Services, Inc. is prohibited from establishing, maintaining, administering, or managing a “correspondent account” in the United States for an unregulated foreign shell bank. The term “correspondent account” is broadly defined as an “account established to receive deposits from or make payments on behalf of a foreign financial institution, or handle other financial transactions related to such institution.”